

# Sources and Uses of Funding for Iraq Reconstruction

## OVERVIEW

### SOURCES OF U.S. RECONSTRUCTION FUNDS

IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)

IRAQ SECURITY FORCES FUND (ISFF)

ECONOMIC SUPPORT FUND (ESF)

COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP)

### USES OF U.S. APPROPRIATIONS

SECURITY AND JUSTICE

PROVINCIAL RECONSTRUCTION TEAMS

CAPACITY DEVELOPMENT

ELECTRICITY

OIL AND GAS

WATER

HEALTH CARE

TRANSPORTATION AND COMMUNICATIONS

DEMOCRACY

ECONOMIC DEVELOPMENT

REFUGEES, HUMAN RIGHTS, AND EDUCATION

### INTERNATIONAL SUPPORT FOR IRAQ RECONSTRUCTION

## SECTION

# 2



## OVERVIEW

The Special Inspector General for Iraq Reconstruction (SIGIR) reports on the oversight and accounting of the obligation and expenditure of funds used for Iraq relief and reconstruction. This section presents an overview of the sources of funding for this effort and its uses in reconstruction programs, projects, and activities.

The reconstruction effort is funded by three sources: U.S. appropriations; Iraqi funds; and international donor support. As of June 30, 2007, funding for the entire reconstruction program totaled nearly \$99.641 billion, including \$44.538 billion in U.S. appropriated funds, \$18.219 billion in international donor funds, and \$36.884 billion in Iraqi funds. For an overview of these sources, see Figure 2.1.

### U.S. Appropriated Funds (\$44.538 billion)

The Congress appropriated U.S. support for Iraq's relief and reconstruction to four major funds:

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.914 billion
- Iraq Security Forces Fund (ISFF)—\$13.940 billion
- Economic Support Fund (ESF)—\$3.149 billion

- Commander's Emergency Response Program (CERP)—\$2.506 billion
- Other Relief and Reconstruction Activities (subsumes 26 smaller accounts)—\$4.029 billion

This section presents a detailed review of each of these sources and provides status reports of U.S. efforts in these areas:

- Security and Justice
- Provincial Reconstruction Teams
- Capacity Development
- Electricity
- Oil and Gas
- Water
- Health Care
- Transportation and Communications
- Democracy
- Economic Development
- Refugees, Human Rights, and Education

Appendix F and Appendix G include more comprehensive information about sources of U.S. appropriated funding, including IRRF apportionments, a historical perspective of relief and reconstruction accounts, operating expenses, and obligated and expended funding activities.

### **International Support for Iraq Reconstruction (\$18.219 billion)**

The overall success of the Iraq reconstruction program depends, in part, on assistance from the international community. The International Compact with Iraq—a five-year national plan to help Iraq achieve stability, sound governance, and economic reconstruction—is now the primary mechanism for coordinating international support for Iraq. The total amount of donor support pledged or provided to date is \$18.219 billion.

### **Iraqi Funds (\$36.884 billion)**

Iraqi funds have been an important source for reconstruction efforts, particularly during the tenure of the Coalition Provisional Authority (CPA). As of June 30, 2007, these funds totaled \$36.884 billion, including:

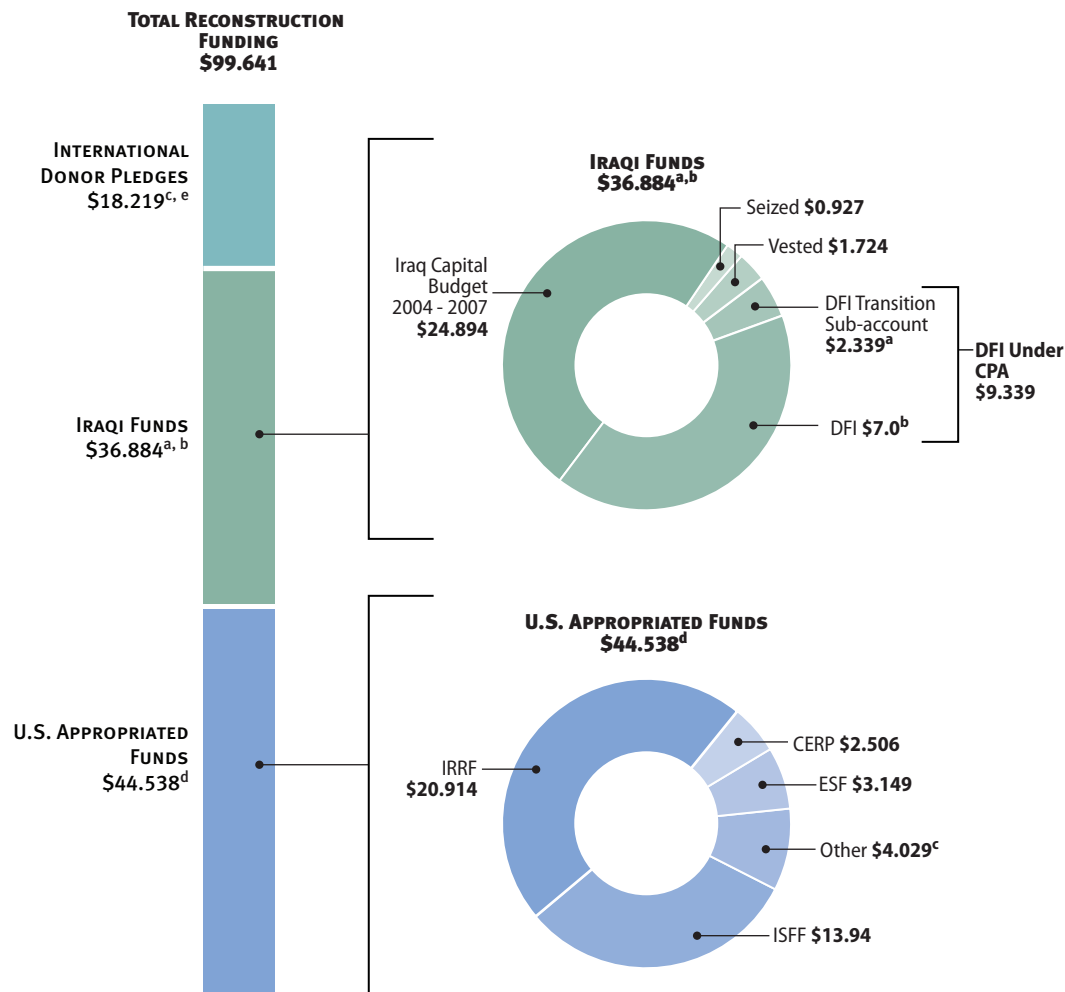
- vested (frozen) funds of \$1.724 billion
- seized funds, including confiscated cash and property, of \$927 million
- Development Fund for Iraq (DFI) funds, drawn primarily from oil proceeds and repatriated funds, of \$9.339 billion. (Under UN Security Council Resolution 1483, this fund was created to meet the costs of Iraqi civilian administration, humanitarian needs, infrastructure repairs, economic reconstruction, and other purposes benefiting the people of Iraq)
- Iraqi capital budget funding of \$24.894 billion from 2004 to 2007

For an accounting of seized funds, vested funds, and the DFI transition sub-account, see Appendix H.

# SOURCES AND USES OF U.S. RECONSTRUCTION FUNDS

FIGURE 2.1

## SOURCES OF IRAQ RECONSTRUCTION FUNDING - \$99.641 BILLION \$ Billions



a. Includes August 11, 2004 transfer of \$86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.

b. In previous Quarterly Reports, SIGIR reported approximately \$20 billion in DFI cumulative deposits to fund Iraqi government operations and reconstruction programs. This quarter, SIGIR has refined that number to reflect only reconstruction funding, which according to GAO audit 05-876 (July 28, 2005, p. 2) is approximately \$7 billion.

c. May include humanitarian aid or other types of assistance.

d. Where Iraq-only appropriations are unavailable, SIGIR assigned 85% for Iraq based on historical trends.

e. International donor pledges are discussed in detail later in this section.

## SOURCES AND USES OF U.S. RECONSTRUCTION FUNDS

Under P.L. 108-106, Section 3001 (as amended), SIGIR is required to report on the oversight of and accounting for U.S. taxpayer funds expended on Iraq's relief and reconstruction.

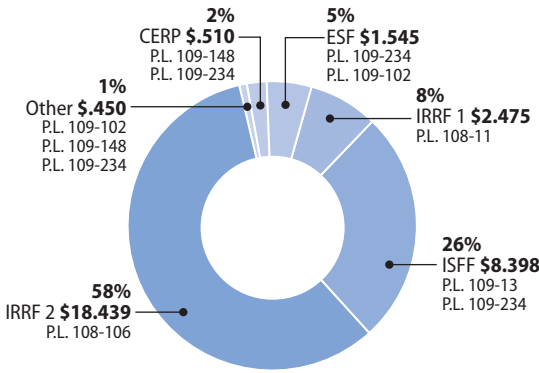
On October 17, 2006, SIGIR's mandate was expanded under Section 1054 of the John Warner National Defense Authorization Act for FY 2007 (P.L. 109-364).

# SOURCES OF U.S. RECONSTRUCTION FUNDS

This legislation provided SIGIR with additional oversight authority over any U.S. funds made available for FY 2006 for the reconstruction of Iraq, regardless of how they are designated. Figure 2.2 identifies the funds associated with SIGIR's new mandate, including the ISFF, ESF, CERP, and others. SIGIR's authority now

includes oversight of \$31.817 billion in reconstruction funds. Figure 2.3 shows the expenditure status of funds under SIGIR oversight that have been contractually obligated. For a cross-reference of budget terms associated with these funding streams, see Appendix N.

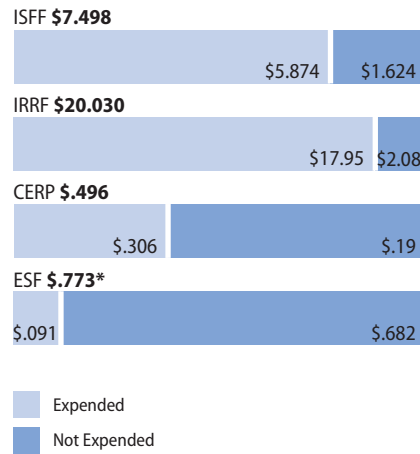
FIGURE 2.2  
**SUMMARY OF SIGIR OVERSIGHT**  
\$ Billions, % of \$31.818  
Sources: DoD, Secretary of the Army Update (7/8/2007); DoS, *Iraq Weekly Status* (6/27/2007); MNC-I, Response to SIGIR (7/7/2007); ITAO,\* *Weekly Status Report* (6/26/2007); IRMS, *ESF Cost to Complete* (7/5/2007); USAID *Activities Report* (7/12/2007)



CERP = Commander's Emergency Response Program  
IRRF 1 & 2 = Iraq Relief and Reconstruction Fund  
ISFF = Iraq Security Forces Fund  
ESF = Economic Support Fund  
P.L. = Public Law

\* By Executive Order, on May 8, 2007, the President created ITAO as the successor organization to the IRMO.  
Note: Numbers are affected by rounding.

FIGURE 2.3  
**STATUS OF OBLIGATED U.S. RECONSTRUCTION FUNDING UNDER SIGIR OVERSIGHT**  
\$ Billions, \$28.80 Billion Total  
Sources: DoD, Secretary of the Army Update (7/8/2007); DoS, *Iraq Weekly Status* (6/27/2007); MNC-I, Response to SIGIR (7/7/2007); IRMS *ESF Cost to Complete* (7/5/2007); USAID, *Activities Report* (7/12/2007)



Note: Numbers are affected by rounding.  
\* Data for expended and obligated amounts only available for FY 2006 Supplemental Funds.



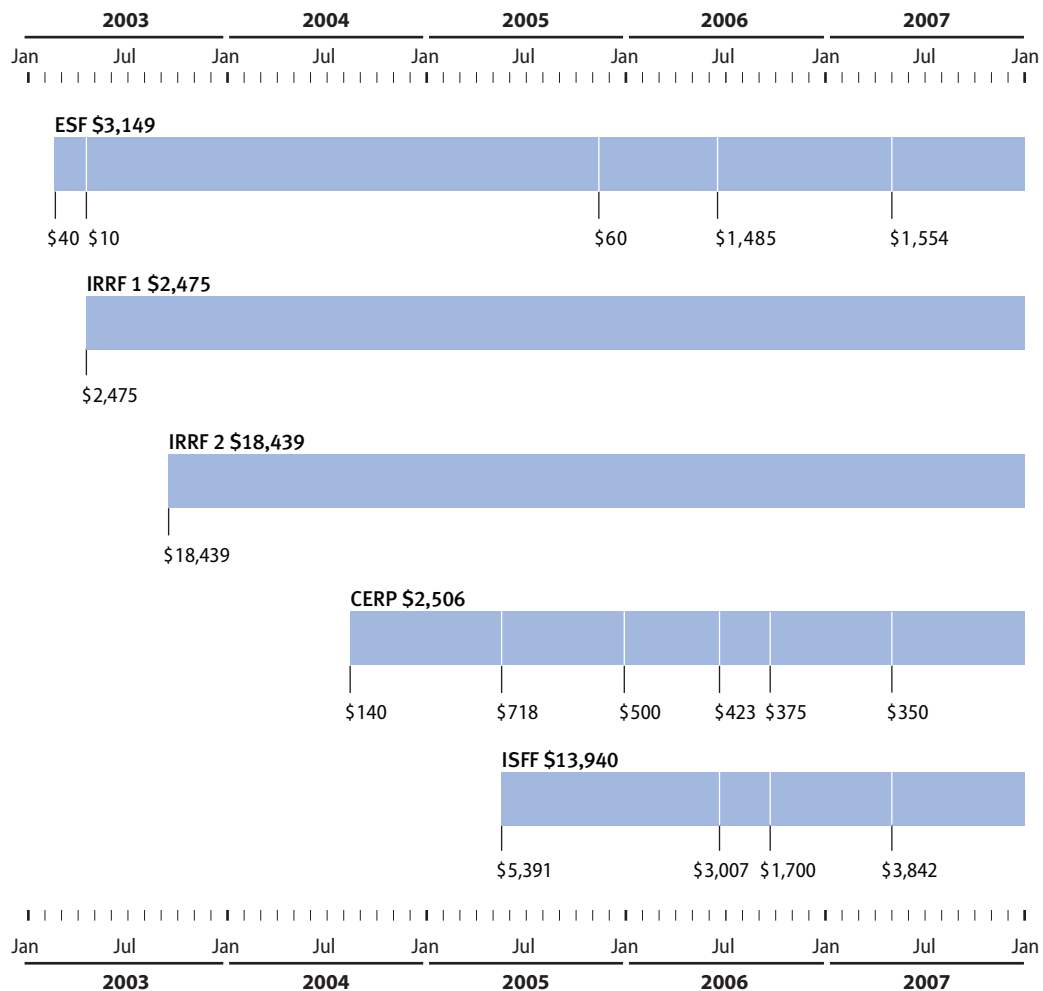
# SOURCES OF U.S. RECONSTRUCTION FUNDS

FIGURE 2.4

## TIMELINE OF U.S. APPROPRIATIONS

\$ Millions

Sources: P.L. 108-7, P.L. 108-11, P.L. 108-106, P.L. 108-287, P.L. 109-13, P.L. 109-102, P.L. 109-148, P.L. 109-234, P.L. 109-289, P.L. 110-28



Over the past four years, the Congress passed ten appropriations bills providing approximately \$44.538 billion in Iraq relief and reconstruction funding. Nearly half of this funding went to the Iraq Relief and Reconstruction Fund, which was created in 2003. SIGIR has continuing oversight of the IRRF program.

Since SIGIR's April Quarterly Report, the Congress added to reconstruction funding by passing the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act on May 25, 2007. This act provided:

- \$3.842 billion for the Iraq Security Forces Fund (ISFF)

- \$1.554 billion for the Economic Support Fund (ESF)
- \$.350 billion for the Commander's Emergency Response Program (CERP) in Iraq
- approximately \$1.338 billion in additional U.S. reconstruction funding

Figure 2.4 shows the timeline for all major U.S. funds appropriated for relief and reconstruction to date. Table 2.1 provides additional detail about these funds.

In the absence of an internationally recognized definition of "relief and reconstruction," Table 2.1 also includes 29 non-IRRF activities that present the most complete information available on U.S. appropriations.

## 28 | SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

Note: This table does not include FY 2007 Continuing Resolution levels

\$18.439 billion represents the amount appropriated by the Congress for Iraq programs in IRFE 2 under P.L. 108-106, enacted in November 2003. The Congress had initially appropriated \$18.649 billion to IRFE 2, but also earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. Of the remaining \$18.439 billion, the administration transferred out of the IRFE to other accounts roughly \$562 million for Iraq-related programs that could be implemented only in other accounts, such as a \$352 million Iraq bilateral debt forgiveness program to the United States that required funding in a Treasury account. The Congress was notified of all transfers out of the IRFE. In addition, in FY 2006 appropriations, the Congress earmarked \$9.95 million to be transferred into the IRFE from the DoS Economic Support Fund account.

\$40 million from FY 2003 ESF base account that was not reimbursed; \$10 million from P.L. 108-11.

SIGIR reports in Audit 07-006 that the Congress appropriated \$923 million in FY 2006 for CERF activities in Iraq and Afghanistan. The Department of the Army allocated \$724.5 million for use in FY 2006 and carried forward the balance of \$198.5 million to FY 2007. The U.S. Central Command then allocated \$510 million to MNC-1, with the remaining \$214.5 million going to fund CERF projects executed by U.S. forces in Afghanistan.

Excludes \$7.5 million for Special Inspector General for Iraq Reconstruction under P.L. 108-106.

Includes Iraq Reconstruction Management Office salaries and expenses, mission travel, public diplomacy programs, and other operating expenses related to reconstruction.

Where Iraq-only appropriations unavailable, based on historical trends SIGIR split 85% for Iraq and 15% for Afghanistan.

The Congress provided funding for PCO in other appropriations bills; more details will be available in future SIGIR reports.

TABLE 2.1

## IRAQ RELIEF AND RECONSTRUCTION FUND (IRRF)

In April 2003, the Congress created IRRF 1, appropriating \$2.475 billion under P.L. 108-11 to support operations that provided immediate relief and reconstruction for the people of Iraq. The IRRF 1 allocation authorized the use of funds for reconstruction across five agencies: the U.S. Agency for International Development (USAID), Department of Defense (DoD), Department of State (DoS), Department of Treasury (Treasury), and the

U.S. Trade and Development Agency. USAID received about two-thirds of the appropriation. Figure 2.5 shows the IRRF 1 breakdown by agency allocation. Virtually all of IRRF 1 has been expended.

In November 2003, the Congress created IRRF 2, providing \$18.439 billion for Iraq's relief and reconstruction. Figure 2.6 shows that most IRRF 2 funds were allocated to DoD.

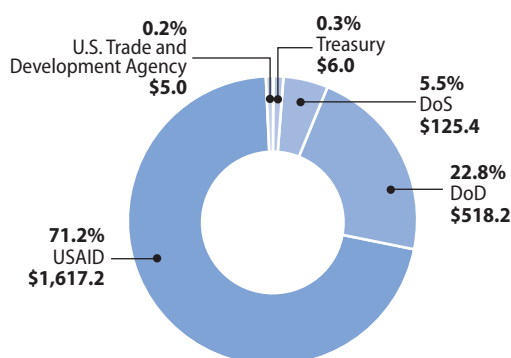
The CPA hired 12 major contractors to design and build projects that improved large-scale infrastructure. Table 2.2 lists the 10 contractors that received the largest contracts.

Figure 2.5

### IRRF 1 ORIGINAL ALLOCATIONS BY AGENCY

\$ Millions

Source: P.L. 108-11 (4/16/2003)



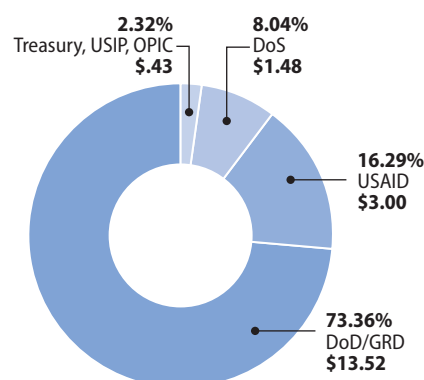
Note: Numbers are affected by rounding.

Figure 2.6

### IRRF 2 CURRENT ALLOCATIONS BY AGENCY

\$ Billions

Source: IRMO, *Weekly Status Report* (3/13/2007)



## TOP TEN IRRF 2 CONTRACTORS (\$ MILLIONS)

CONTRACTOR	OBLIGATED <sup>a</sup>	EXPENDED	EXPENDED PREVIOUS QUARTER	% INCREASE IN EXPENDITURES
Bechtel National, Inc.	\$1,218	\$1,175	\$1,174	0.1%
FluorAMEC, LLC	\$981	\$918	\$899	2%
Parsons Global Services, Inc.	\$702	\$635	\$628	1%
Parsons Iraq Joint Venture	\$592	\$556	\$524	6%
KBR	\$578	\$534	\$512	4%
Washington Group International	\$535	\$485	\$457	6%
Development Alternatives, Inc.	\$440	\$436	\$436	0%
Environmental Chemical Corporation	\$354	\$349	\$349	0%
Anham Joint Venture	\$259	\$259	\$258	0.2%
Symbion Power, LLC	\$249	\$121	\$83	46%

Sources: Corps of Engineers Financial Management System, All Items Report for PMCON and All Items Report for PMNCN, July 3, 2007; USAID, *Activities Report*, July 12, 2007

Note: Numbers affected by rounding.

<sup>a</sup> Of the \$17.80 billion obligated to the IRRF 2, SIGIR has collected contract-level data for GRD and USAID totaling \$14.44 billion in obligations. The list is produced by compiling the obligation data provided by GRD and USAID only.

TABLE 2.2

As of June 27, 2007, approximately 97% of IRRF 2 funds had been obligated,<sup>13</sup> and 86% had been expended. Almost \$2 billion of IRRF 2 remains unexpended. For the status of IRRF 2 appropriations, see Figure 2.7.

The security and justice and electricity sectors received the largest allocation of these funds—57% of the total. Figure 2.8 shows the

allocation of IRRF 2 funds, by sector.

This quarter, most reconstruction projects funded by IRRF 2 are complete.

For a cross-reference of how IRRF 2 sectors relate to SIGIR sectors, see Appendix D.

For the contracts funded by the IRRF, see Appendix E.

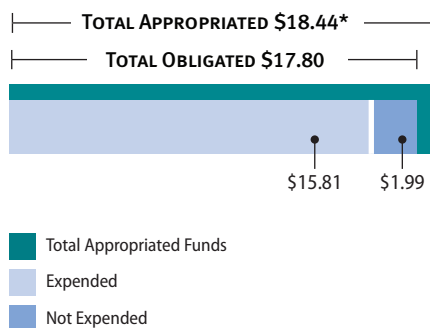
For IRRF apportionments, see Appendix G.

Figure 2.7

### STATUS OF IRRF 2 FUNDS

\$ Billions

Source: DoS, *Iraq Weekly Status* (6/27/2007)



Note: Numbers are affected by rounding.

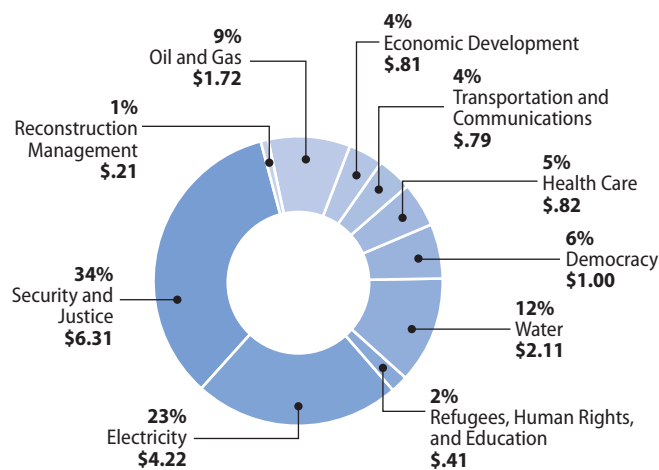
\* DoS currently reports that \$18.40 billion has been apportioned to IRRF 2—down from last quarter's report of \$18.44 billion. The change is a result of deobligations for future use in IRRF 2 programs. For a consistent financial summary of the IRRF 2 program, SIGIR measures sector-level apportionments of allocations against the \$18.44 billion appropriated by the Congress.

Figure 2.8

### IRRF 2 CURRENT ALLOCATIONS BY SECTOR

\$ Billions, % of \$18.44 Billion

Source: DoS, *Iraq Weekly Status* (6/27/2007)



Notes:

1. Numbers are affected by rounding.

2. See Appendix D for P.L. 108-106 cross-reference to SIGIR-defined sectors.

## IRAQ SECURITY FORCES FUND (ISFF)

In 2005, the ISFF was established under P.L. 109-13 to allow the Commander of the Multi-National Security Transition Command-Iraq (MNSTC-I) to provide assistance to the Iraqi Security Forces (ISF). Along with the IRRF, ISFF funds have trained, equipped, and built facilities for ISF. The central objective of these funds was to stand up a capable Iraqi force.

As of July 8, 2007, almost 83% of the \$10.82 billion in FY 2005, FY 2006, and FY 2007 ISFF funds had been obligated, and approximately 61% had been expended. These ISFF funds will remain available until September 30, 2008. For the status of ISFF FY 2005, FY 2006, and FY 2007 funds, see Figure 2.9.

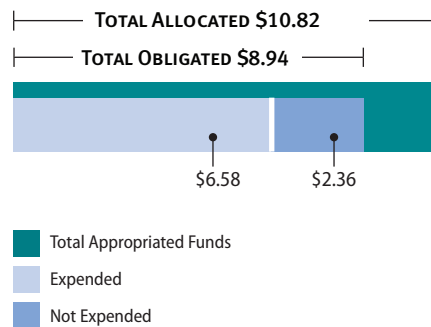
MNSTC-I manages the ISFF and awards approximately 90% of its construction contracts through the Air Force Center for Engineering and the Environment (AFCEE).<sup>14</sup> AFCEE then issues task orders to U.S. prime contractors, who hire and manage Iraqi subcontractors to execute the projects. Consequently, almost all of the employees on these projects are Iraqis.

The remaining ISFF projects are contracted through Gulf Regional Division (GRD) and Joint Contracting Command-Iraq/Afghanistan (JCC-I/A); nearly all of these projects are directly awarded to local Iraqi firms. For

Figure 2.9

### STATUS OF ISFF FY 2005, FY 2006, AND FY 2007 FUNDS \$ Billions

Source: DoD, Secretary of the Army Update (7/8/2007)



#### Notes:

1. Totals are produced by combining financial detail from ISFF 2005, ISFF 2006, and ISFF 2007 funds.
2. Numbers are affected by rounding.

non-construction contracts, JCC-I/A awards more than 50% of ISFF contracts directly to Iraqi firms.<sup>15</sup>

MNSTC-I project/program managers provide oversight of the ISFF construction program. These managers review the project scope and cost changes to ensure compliance with mission requirements and resource availability. To manage cost overruns, MNSTC-I has a standard 15% contingency for all construction projects.<sup>16</sup>

Of the total allocation for the Ministry of Defense, equipment and transportation comprise 43%, and training and operations only 3%. Training and operations receives the largest allocation (40%) of the support for the Ministry of Interior. For a breakdown of the use of funds directed toward projects under the Ministry of Defense and the Ministry of Interior, see Figure 2.10.

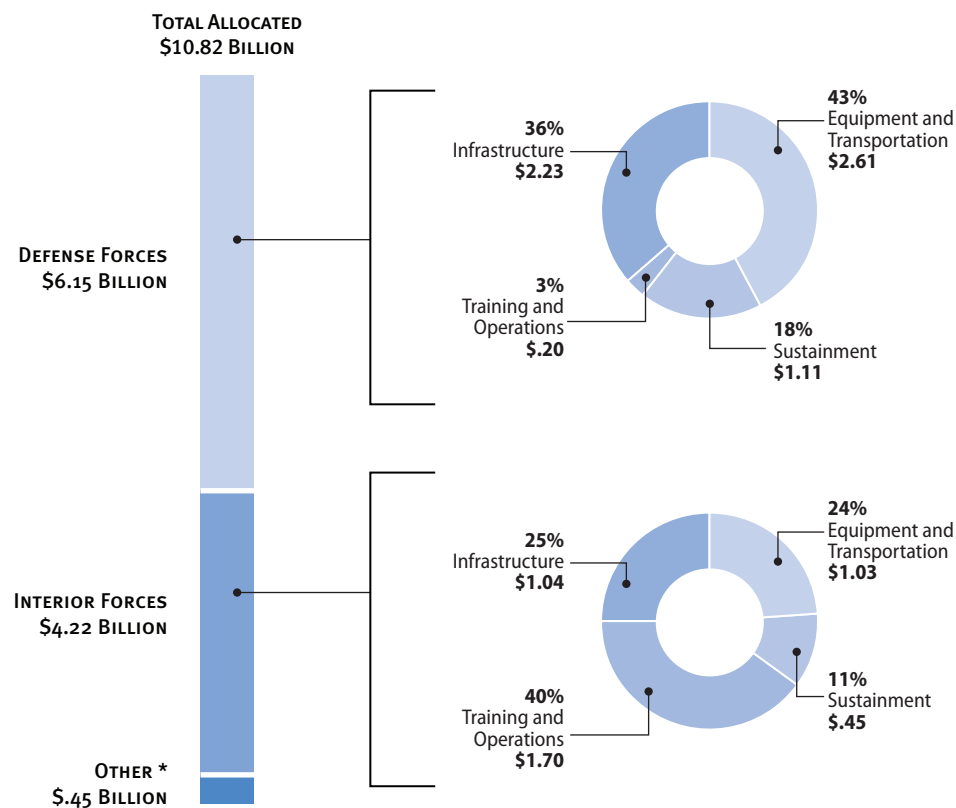
For the contracts funded by the ISFF, see Appendix E. Next quarter, SIGIR will list the top ten contractors under ISFF.

Figure 2.10

**ALLOCATIONS OF ISFF FUNDS BY SECTOR**

\$ Billions

Source: DoD, Secretary of the Army Update (7/8/2007)



Note: Numbers are affected by rounding.

\* Includes Detainee Ops, Prosthetics Clinics, Quick Response Fund, and Other Training and Operations.

## ECONOMIC SUPPORT FUND (ESF)

The Economic Support Fund (ESF) is a bilateral economic assistance account that is used to promote a variety of relief and reconstruction activities in Iraq.<sup>17</sup>

The FY 2006 Supplemental appropriated approximately \$1.485 billion<sup>18</sup> in bilateral economic assistance for ESF projects in Iraq.<sup>19</sup> Many ESF programs and projects build on the efforts of the IRRF program. SIGIR performed a review of FY 2006 sources and uses of U.S. funding for Iraq reconstruction, which is contained in Section 3 of this Report.

Of the \$1.485 billion appropriated by the supplemental appropriations bill, approximately 52% has been obligated,<sup>20</sup> and 6% has been expended.<sup>21</sup> Figure 2.11 shows the amounts of obligated and expended ESF funds compared to the appropriated amount.

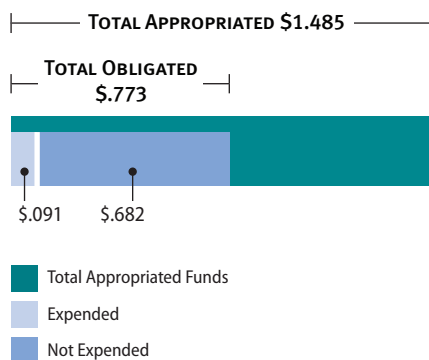
Several of the ESF funding lines are managed through interagency agreements (IAAs),<sup>22</sup> which “obligate” all the funds at the time of the agreement.<sup>23</sup> For purposes of this section, however, SIGIR considers ESF “obligations” as funds committed. SIGIR generally reports amounts that have been contractually awarded as “obligated.”<sup>24</sup> Table 2.3 shows the ten contractors that received the largest obligations (via contract) of ESF funds.

Figure 2.11

### STATUS OF ESF FY 2006 SUPPLEMENTAL FUNDS

\$ Billions

Sources: ITAO,\* *Weekly Status Report* (6/26/2007); IRMS, *ESF Cost to Complete* (7/5/2007); USAID, *Activities Report* (7/12/2007)



Note: Numbers are affected by rounding.

\* By Executive Order, on May 8, 2007, the President created ITAO as the successor organization to the IRMO.



**TOP 10 CONTRACTORS ESF FY 2006 (MILLIONS)**

CONTRACTOR	OBLIGATED	EXPENDED	NOT EXPENDED
Research Triangle Institute	\$155	\$0	\$155
International Relief and Development	\$135	\$27	\$108
Management Systems International, Inc.	\$60	\$13	\$47
Wamar International, Inc.	\$57	\$5	\$52
CHF International	\$45	\$1	\$44
Iraqi Contractor - 4767	\$44	\$10	\$34
BearingPoint	\$20	\$1	\$19
Stanley Baker Hill, LLC	\$13	\$5	\$8
Iraqi Contractor - 5400	\$12	\$0	\$12
Iraqi Contractor - 4147	\$11	\$1	\$10

Sources: USACE, response to SIGIR, June 30, 2007; USAID, *Activities Report*, July 12, 2007.  
 Note: Numbers affected by rounding.

TABLE 2.3

The PRTs and security and justice sector received approximately 53%<sup>25</sup> of ESF FY 2006 supplemental funds. All of the ESF funds in the electricity (\$228 million), water (\$32 million), transportation and communications (\$13 million), and health care (\$12 million) sectors are part of ESF's O&M Sustainment Program. The Capacity Development section of this Report includes more funding details of ESF's Capacity Development and Technical Training Program. Figure 2.12 shows the allocation of ESF monies to each SIGIR-defined sector.

## FY 2007 Funding

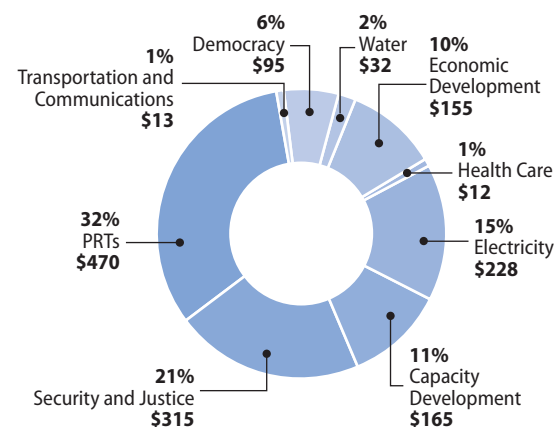
In the FY 2007 Supplemental (P.L. 110-28), which the President signed this quarter, no ESF FY 2007 funds can be obligated or expended until the President certifies that Iraq has made satisfactory progress on 18 specific benchmarks.<sup>26</sup> The bill also includes a provision allowing the President to waive the requirement if he submits a written certification to the Congress setting forth a justification for the waiver, including a detailed report describing the actions being taken by the United States to

Figure 2.12

**ALLOCATIONS OF ESF FY 2006 SUPPLEMENTAL FUNDS**

\$ Millions, % of \$1,485 Million

Sources: ITAO,\* *Weekly Status Report* (6/26/2007); IRMS, ESF *Economic Track Summary* (7/5/2007)



Note: Numbers are affected by rounding.

\* By Executive Order, on May 8, 2007, the President created ITAO as the successor organization to the IRMO.

bring the GOI into compliance with the benchmarks. On July 12, 2007, the President submitted such a report to the Congress, waiving \$642.5 million of ESF FY 2007 funds from the requirement.<sup>27</sup>

## Structure of ESF

These are the objectives of ESF:<sup>28</sup>

- strengthen the role of the private sector, reduce government controls over markets, enhance job creation, and improve economic growth
- develop and strengthen the institutions necessary for sustainable democracy
- strengthen Iraq's capacity to manage the human dimension of the transition to democracy and a market-based economy while sustaining the neediest groups of the population

In line with the President's New Way Forward for Iraq, ESF programs follow three tracks—security, political, and economic. The security track received approximately 63%<sup>29</sup> (\$932 million) of FY 2006 supplemental ESF funds, the economic track received 23%<sup>30</sup> (\$345 million), and the political track received 14%<sup>31</sup> (\$208 million). For a cross-reference table of ESF programs by SIGIR-defined-sector, see Appendix D. For a cross-reference of budget terms associated with the ESF, see Appendix N.

## Executing ESF Funds

A SIGIR report this quarter found that it takes longer to move ESF funds from appropriation to field activities than CERP and ISFF funds. SIGIR's fact sheet on FY 2006 sources and uses of U.S. funding reported:<sup>32</sup>

- ISFF funds were allotted to the field activities within 29 days of appropriation.
- CERP funds were allotted within 35 days.
- ESF funds took between 62 and 218 days.

SIGIR's fact sheet noted that measuring the effectiveness of ESF-funded programs also is a challenge.<sup>33</sup> Although United States Army Corps of Engineers (USACE) managed programs incorporate metrics into some of their IAAs, and USAID uses metrics in its Performance Management Plan, SIGIR did not find specific performance measures established or required for all ESF programs.<sup>34</sup> Additionally, the Congress did not impose a reporting requirement for the ESF. DoS has been reporting on ESF funds since January 2007 in its *Section 2207 Report*.<sup>35</sup> For a summary of SIGIR's fact sheet on sources and uses, see Section 3 of this Report.

## COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP)

CERP FY 2006 and FY 2007 funds total approximately \$944 million—or about 2% of the total U.S. funds appropriated for Iraq reconstruction. Multi-National Corps-Iraq (MNC-I) has expended approximately 46% of the total CERP FY 2006 and FY 2007 funds. Figure 2.13 shows the status of that portion of funds already obligated.

CERP was created to allow U.S. military commanders in Iraq to respond rapidly to urgent humanitarian, relief, and reconstruction needs. The amount of CERP dollars expended in Iraq continues to increase as the IRRF program winds down. Figure 2.14 shows the allocation of CERP funds by reconstruction sector.

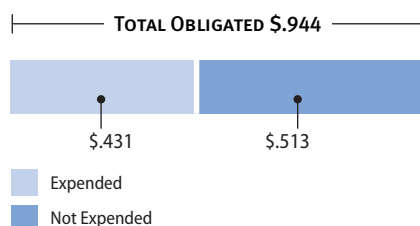
MNC-I is the program coordinator for

Figure 2.13

### STATUS OF CERP FY 2006 AND FY 2007 FUNDS

\$ Billions

Source: MNC-I, Response to SIGIR (7/7/2007)



Notes:

1. For reporting consistency, CERP activities are mapped to SIGIR-defined sectors.
2. Numbers are affected by rounding.

CERP, and DoD regulates CERP funding.<sup>36</sup> MNC-I's major subordinate commanders have approval authority for contracts of up to \$500,000. The MNSTC-I commander approves contracts greater than \$500,000.<sup>37</sup>

CERP projects are chosen based on how quickly they can be executed, how many Iraqis would be employed, how many Iraqis would benefit, and the visibility of the project.<sup>38</sup>

Figure 2.15 shows the status of CERP projects.

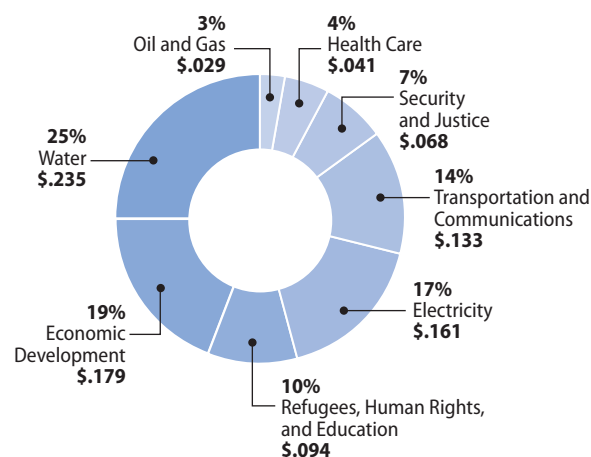
DoD established guidelines outlining 19 uses for CERP. SIGIR has announced an audit reviewing the scope and impact of CERP projects valued more than \$400,000.

Figure 2.14

### SECTOR SHARES OF CERP FY 2006 AND FY 2007 FUNDS

\$ Billions, % of \$.944 Billion

Source: MNC-I, Response to SIGIR, 7/7/2007



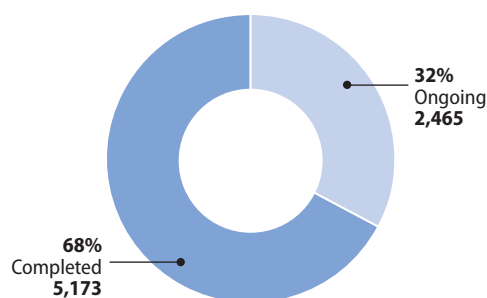
Notes:

1. Allocation detail for CERP FY 2006 and FY 2007 is currently unavailable; therefore, the percentages in this graphic are calculated using dollars obligated.
2. For reporting consistency, CERP activities are mapped to SIGIR-defined sectors.
3. Numbers are affected by rounding.

Figure 2.15

**STATUS OF CERP FY 2006 AND FY 2007 PROJECTS**  
**TOTAL NUMBER OF PROJECTS 7,638**

Source: MNC-I, Response to SIGIR (7/7/2007)



Project Type	Ongoing	Completed	Total
Economic Development	695	981	1,676
Security and Justice	381	1,019	1,400
Water	420	789	1,209
Refugees, Human Rights, and Education	354	799	1,153
Transportation and Communications	252	704	956
Electricity	212	529	741
Health Care	130	317	447
Oil and Gas	21	35	56
<b>Total</b>	<b>2,465</b>	<b>5,173</b>	<b>7,638</b>

Since 2004, military commanders have contracted 11,670 projects, 7,638 of which were funded with CERP FY 2006 and FY 2007 monies. Four of the six governorates with the most CERP FY 2006 and FY 2007 projects—Anbar, Baghdad, Salah al-Din, and Diyala—are also the governorates that DoD has identified as the most violent provinces in Iraq.<sup>39</sup>

In 2004, the average CERP project in Iraq was valued at approximately \$67,000. In 2006, the average value of a CERP project was approximately \$140,000. In total, 11 provinces have experienced yearly increases in average CERP project values from 2004 through 2006. Figure 2.16 shows the increase in the average value per CERP project, by governorate.

## Challenges to Executing the CERP Program

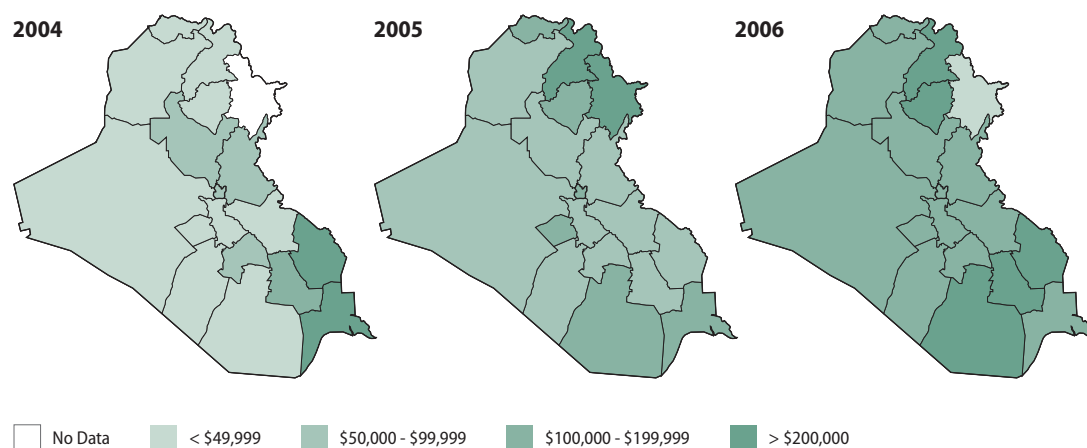
In three previous audits of the CERP, SIGIR reviewed the CERP and found that the program generally achieved success in employing Iraqis for projects at the local level;<sup>40</sup> however, it is difficult to report on CERP results for two reasons:

- There is no mechanism in place to specifically measure the outputs and outcomes of CERP-funded projects.<sup>41</sup>
- The high turnover of personnel in Iraq results in a lack of continuity with respect to institutional knowledge of the CERP programs.<sup>42</sup>

Figure 2.16

**AVERAGE VALUE PER CERP PROJECT BY GOVERNORATE**

Source: IRMS, CERP Excel Workbook (6/29/2007)

**Note:**

Data is compiled using FY 2004, FY 2005, and FY 2006 CERP funds. The years indicated correspond to the actual start dates of the projects.

As a SIGIR audit of CERP has documented, MNC-I has made progress since 2004 coordinating CERP projects with U.S. Embassy reconstruction management.<sup>43</sup> For example, MNC-I shares information with USAID, and USAID provides development expertise to help guide CERP spending, as needed.<sup>44</sup>

Last quarter, DoD reported to SIGIR that CERP project quality assurance is conducted during and at the completion of a project by outside engineering firms or engineers hired

for project oversight. SIGIR also reported that “multiple monthly polls are conducted by contractors for MNF-I and MNC-I to gauge the impact of the Coalition efforts in Iraq.”<sup>45</sup>

For a cross-reference of how sectors under CERP FY 2006 and FY 2007 funds relate to SIGIR-defined sectors, see Appendix D.

SIGIR collects data on U.S. funding from different sources. For a cross-reference of budget terms associated with these funding streams, see Appendix N.

